

Welcome!



The SDRS Supplemental Retirement Plan

An important part of your comprehensive benefits plan is deferred compensation. When you actively participate in the SDRS Supplemental Retirement Plan, you help to make your and your family's retirement years even more secure.

To make this happen, you need to begin planning today. The staff from the SDRS Supplemental Retirement Plan is here to help you. We place a strong emphasis on education, combined with a wide variety of well-known investment choices.

This workbook is just the beginning. Use it to begin your financial planning and to keep your plan up-to-date.

Participating in the plan is easy, and everything you need to get started is in this Education Workbook. Once in the plan, tax advantages give your retirement investments the ability to grow tax-deferred.

Please take full advantage of the benefits deferred compensation can provide you. To begin, use this workbook to increase your knowledge about investing in general, and to understand the options available within your plan. We hope you will begin today to start making your retirement dreams a reality.

The South Dakota Retirement System has contracted with Nationwide Retirement Solutions (NRS) to provide administrative, marketing and recordkeeping services to the SRP. As Plan Administrator, NRS, a subsidiary of Nationwide Financial Services, Inc. - together with its affiliate, Nationwide Investment Services Corporation (NISC)- explains the SRP and investment alternatives, and provides all other SRP services under the supervision of The South Dakota Retirement System.

The South Dakota Investment Office (SDIO) also contracts with investment companies to provide a broad spectrum of investment alternatives to the SRP. Based on periodic evaluation of the investment alternatives, the SDIO may remove or replace certain investment alternatives that do not continue to meet established standards.

Your plan highlights

Find the answers about your plan

Your plan highlights are designed to answer questions you may have about your plan. Simply scan the questions listed under the general categories and look across for the answers.

Contributions

What's the minimum I need to contribute to be in the plan?

\$25.00 per month.

What's the maximum I can contribute?

Unless you qualify for one of the "catch-up" provisions discussed below, the maximum you can contribute to the Plan is 100% of your includible compensation or the applicable dollar amount for the year found in Internal Revenue Code Section 457(e)(15), whichever is less. The maximum applicable dollar amount for 2007 is \$15,500.

If I'm participating in another 457(b) plan, what's the maximum I can contribute then?

If you are a member of another plan governed by Section 457(b) of the Internal Revenue Code, your total maximum deferrals to all Section 457 plans combined, not including catch-up deferrals, may not exceed \$15,500 in 2007.

What if I'm currently in a 401(k) and/or 403(b) plan? What's the maximum contribution limit for me?

If you are currently participating in another elective deferral plan that is not a 457(b) plan, such as a 401(k) plan or 403(b) plan, the maximum deferrals to your 457(b) plan are not affected by the deferral limits for those other non-457(b) plans.

If I'm close to retirement, is there a way to contribute more?

If you are within three years of the year in which you will attain Normal Retirement Age under the plan and are making the maximum contribution to your plan, you may be eligible for a catch-up contribution through the Special 457 Catch-up provision. If you have not contributed the maximum in the past, you may be able to increase your deferral amount to up to two times the maximum contribution limit. (For example, in 2007 you may be able to contribute as much as \$31,000). Important: Special 457 Catch-up cannot be used in the same year as Age 50 Catch-up.

Contributions

If I'm not so close to retirement, can I still contribute more?

If you are 50 years or older, you may use the Age 50 Catch-up provision. With the Age 50 Catch-up provision you can contribute an additional \$5,000 in 2007 over the normal deferral limit. Important: Age 50 Catch-up cannot be used in the same year as the Special 457 Catch-up.

Can I roll over my balance from another plan into this one?

Qualified retirement plans, deferred compensation plans and individual plan retirement accounts are all different, including fees and when you can access funds. Assets rolled over from you account (s) may be subject to surrender charges, other fees and/or a 10% tax penalty if withdrawn before age 59½.

Can I ever stop my payroll deferrals?

You may stop payroll deferrals to your plan at any time.

How often can I change my payroll deferral amount?

You can increase or decrease your payroll deferral amount at any time, unless your employer has restrictions on changes. Simply fill out and return a participation agreement, available from your Retirement Specialist.

Are there any fees I need to be aware of?

An annual asset fee of 0.26% (\$0.26 per \$100) is assessed at the rate of 0.0217% each month. This fee is in addition to the internal expense charges/management fees assessed by the companies providing investment alternatives under the plan.

What if I want to change the funds I select?

You may make changes to your fund selections at anytime. However, each mutual fund has specific rules and guidelines that may restrict frequent transactions in and out of that fund. These rules and guidelines are generally included in the prospectus of each mutual fund. You can obtain prospectus(es) from the Fund Performance section of our Web site **srp457.com** or by calling 1-800-959-4457. Additionally, to protect the interests of all participants, your plan may impose plan level restrictions that restrict frequent trading.

Your plan highlights

Distributions

Can I withdraw my funds before I retire?

Because your funds receive the benefit of tax-deferred status, there are limits to when you can withdraw them. If you are still employed, you can withdraw money from your plan:

- If you experience an unforeseeable emergency that is approved by your plan.
 - It is a one-time withdrawal, provided your account balance is \$5,000 or less and you have not deferred into the plan for at least two years, and you have not made prior withdrawals of this type.
 - Generally, once you have reached age 70½. Please check your plan document.
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What happens when I leave my job?

If you leave your employment, or your employment ends because of retirement or permanent disability, there are many options available to you. Specific retirement information is presented in this document. Or, call a Nationwide representative at 1-800-959-4457 (toll-free) for more information.

Are there any penalties when I withdraw my money?

There are no penalties in a standard 457(b) account. However, if you take distributions before age 59½ from a rollover account from a qualified plan such as a 401(k) or an IRA, you may be subject to early withdrawal penalties.

Will I have to pay taxes on the funds I withdraw?

When you withdraw your funds or start to receive distributions, they are considered taxable income. This means you will have to pay taxes on them and you will need to complete a federal income tax withholding form for the year the withdrawal/distributions are made.

When I'm close to retirement or leave my job, what do I do with my account?

If you separate from service, contact your Retirement Specialist to discuss the options available to you. These options include:

- Leaving your money where it is
- Taking it in a lump sum
- Fixed dollar amount withdrawal
- Fixed period payment withdrawal
- Annuity payout options
- Rolling your money over to another plan or into an IRA

Distributions

Do I have to withdraw my money right away when I retire?

If you are not ready to take any portion of your account now, you can leave it invested and delay your benefit payment. You must begin taking the Required Minimum Distribution, as defined by the Internal Revenue Service, no later than April 1st of the year following the year you turn 70½, or severance from employment, whichever is later.

How soon do I need to notify someone so my distributions can start?

If you are planning to stop working, contact a Nationwide Representative as soon as possible to receive assistance in planning your distributions.

Can I change how often I receive my distribution?

If you decide you want to change the frequency of your payments, simply fill out a new Benefit Payment Election form with your preferred payment schedule. If you elect an annuity payout option other restrictions apply.

How do I receive my distribution?

You can either receive it as a direct deposit into a savings or checking account, or through the mail. If you choose direct deposit you will receive your initial payments through the mail until your account is set up and your bank account information is confirmed.

Information provided by Retirement Specialists is for educational purposes only and is not intended as investment advice. Neither Nationwide nor its representatives give tax or legal advice. Please consult with a tax or legal advisor for such advice.

Your investment options

Review your investment descriptions

These investment descriptions help you find managed investments with objectives similar to your own. When you find an investment that suits you, check the line to the right of the investment description. Next, review your investment performance and select your funds. Keep in mind investing involves market risk, including possible loss of principal and there is no guarantee that investment objectives will be achieved. Some mutual funds may impose a short term trade fee. Please read the underlying prospectuses carefully.

Investment descriptions are provided by Morningstar, Inc., an independent provider of financial information. Although data is gathered from reliable sources, Morningstar cannot guarantee completeness and accuracy.

Morningstar and Nationwide are not affiliated.

Asset Allocation Funds - The asset allocation funds can be selected based on your personal objectives and risk tolerance and are designed to provide asset allocation across several types of investments and asset classes. Therefore, in addition to the expenses of the asset allocation funds, you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds. The use of asset allocation does not guarantee returns or insulate you from potential losses. In choosing a Retirement Fund, investors should consider the fund that is closest to the year they reach their expected retirement age, while also factoring in their risk tolerance, investment objectives, and retirement needs. Choosing a fund that targets an earlier date represents a more conservative choice while targeting a fund with a later date is a more aggressive choice. The performance and risks of the funds will directly correspond to the performance and risks of the underlying holdings in which they invest. By investing in many underlying funds, the Retirement Funds have partial exposure to the risks of many different areas of the market.

Investment Name	Investment Description	Election %
Vanguard Retirement 2005 Fund	The investment seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation designed for investors planning to retire within a few years of 2005. It typically allocates 52% of assets to bonds and 48% to stocks.	_____
Vanguard Retirement 2010 Fund	The investment seeks to provide growth of capital and current income. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2010. The fund invests approximately 57% of assets in stocks and 43% in bonds.	_____
Vanguard Retirement 2015 Fund	The investment seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation designed for investors planning to retire within a few years of 2015. It typically allocates 65% of assets to stocks and 35% to bonds.	_____
Vanguard Retirement 2020 Fund	The investment seeks to provide growth of capital and current income. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2020. It typically allocates 73% of assets to stocks and 27% to bonds.	_____
Vanguard Retirement 2025 Fund	The investment seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation. It typically allocates 81% to stocks and 19% of asset to bonds.	_____
Vanguard Retirement 2030 Fund	The investment seeks to provide growth of capital and current income. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2030. It typically allocates 88% of its assets to stocks and 12% to bonds.	_____
Vanguard Retirement 2035 Fund	The investment seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation. It typically allocates 90% of its assets to stocks and 10% to bonds.	_____
Vanguard Retirement 2040 Fund	The investment seeks to provide growth of capital and current income. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2040. It typically allocates 91% of assets to stocks and 9% to bonds.	_____
Vanguard Retirement 2045 Fund	The investment seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation. It typically allocates 90% of assets to stocks and 10% to bonds.	_____
Vanguard Retirement 2050 Fund	The investment seeks to provide growth of capital and current income. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2050. It typically allocates 90% of assets to stocks and 10% to bonds.	_____
Vanguard Retirement Income Fund	The investment seeks current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to an asset allocation designed for investors currently in retirement. It typically allocates 70% of assets to bonds and 30% to stocks.	_____

International

International investing involves additional risks; including currency fluctuations, political instability, differences in accounting standards and foreign regulations.

Investment Name	Investment Description	Election %
Vanguard Total International Stock Index Fund	The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in Europe, the Pacific region, and emerging markets countries. The fund invests in three Vanguard funds—the European Stock Index Fund, the Pacific Stock Index, and the Emerging Markets Stock Index Fund. It allocates most of the assets based on the market capitalization of European, Pacific, and emerging markets stocks in the Total International Composite index.	_____
American Funds Capital World Growth & Income	The investment seeks long-term capital growth and current income. The fund invests in foreign and domestic equities, debt obligations, and money market instruments. Management allocates assets according to long-term economic and market trends. It invests primarily in common stocks, government and corporate bonds and cash and equivalents. The debt portion concentrates on intermediate- and long-term fixed-income securities; foreign debt consists mostly of governmental obligations. The fund may invest up to 10% of assets in bonds rated below A.	_____
Dodge & Cox International Stock Fund	The investment seeks long-term growth of principal and income. The fund generally invests at least 80% of assets in a diversified portfolio of equity securities issued by non-U.S. companies from at least three different countries, including emerging markets. It focuses on countries whose economic and political systems appear more stable and are believed to provide some protection to foreign shareholders. Under normal circumstances, the fund invest in common stocks.	_____

Small Cap

Small Company funds involve increased risk and volatility.

Investment Name	Investment Description	Election %
Vanguard Extended Market Index Fund	The investment seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks. The fund employs a passive management strategy designed to track the performance of the Standard & Poor's Completion index, a broadly diversified index of stocks of small and medium-size U.S. companies, which consists of all the U.S. common stocks traded regularly on the NYSE, AMEX, or OTC markets. It typically invests substantially all of assets in the 1,200 largest stocks in its target index, thus covering nearly 80% of the Index's total market capitalization.	_____

Mid-Cap Funds

Investment Name	Investment Description	Election %
Legg Mason Opportunity	The investment seeks long-term growth of capital. The fund primarily invests in equities of U.S. issuers. It may also invest in the common stock of foreign issuers and in other U.S. and foreign securities, convertible securities, debt securities, futures, options, derivatives and other instruments. The fund may borrow up to 10% of assets for leveraging. It is nondiversified.	_____
Vanguard Strategic Equity	The investment seeks long-term total return. The fund normally invests in small and mid capitalization domestic stocks. To select investments, the advisor uses a proprietary quantitative valuation model to assess the total return potential of different market segments, categorized by two levels: market capitalization and growth versus value.	_____

Large-Cap Funds

Investment Name	Investment Description	Election %
Franklin Mutual Shares Fund	The investment seeks capital appreciation; income is a secondary consideration. The fund normally invests, following a value-oriented strategy, in companies with market capitalizations greater than \$1.5 billion. It may, however, invest in smaller companies. The fund can invest up to 35% of assets in foreign equity and may use forward currency exchange contracts to hedge against currency risks. It can also invest in debt securities in any rating category.	_____
Vanguard Institutional Index Fund	The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up Standard & Poor's 500 index, which is a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies.	_____
Vanguard Windsor II Fund	The investment seeks long-term capital appreciation and income. The fund invests mainly in large- and mid-capitalization companies whose stocks are considered to be undervalued..	_____

Your investment options

Large-Cap Funds *(Continued from page 7)*

Investment Name	Investment Description	Election %
AllianceBernstein Wealth Appreciation Strategy	The investment seeks long-term growth of capital. The fund normally invests in a combination of underlying portfolios representing a variety of asset classes and investment styles that are also managed by the advisor. It invests approximately 70% of assets in underlying portfolios that invest in U.S. companies and the remaining 30% in underlying portfolios that invest in non-U.S. companies.	_____
American Funds Growth Fund of America	The fund seeks capital growth by investing in common stocks. It primarily invests in high potential growth companies. The fund may also invest up to 15% of assets in securities of issuers domiciled outside the United States and Canada and not included in Standard & Poor's 500 Composite Index. It may invest up to 10% of assets in lower quality nonconvertible debt securities.	_____
Legg Mason Value	The investment seeks long-term growth of capital. The fund primarily invests in equity securities of companies with market capitalizations greater than \$5 billion but may invest in companies of any size. It may invest up to 25% of assets in long-term debt securities and up to 10% of assets in debt securities rated below investment grade.	_____

Bonds

Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.

Investment Name	Investment Description	Election %
Vanguard Total Bond Market Index Fund	The investment seeks to track the performance of a broad, market-weighted bond index. The fund invests by sampling the index. It invests at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, ranging between 5 and 10 years.	_____

Fixed Account/Cash

An investment in a money market underlying fund is not insured or guaranteed by the FDIC or any other government agency. Although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the money market.

Investment Name	Investment Description	Election %
Vanguard Prime Money Market Fund	The Vanguard Prime Money Market Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1. The Fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. The Fund will maintain a dollar-weighted average maturity of 90 days or less.	_____
Prudential Group Fixed Annuity	The Prudential Group Fixed Annuity provides a fixed return on capital approximately equal to short or medium term bond yields. The Prudential's annuity interest rate is originally fixed by quarterly pools for five to eight quarters. Once the original pool expires, funds are rolled into an aggregate pool with interest rates updated annually and guaranteed by the underlying insurance company.	_____

Fund prospectuses can be obtained by calling the SDRS Supplemental Retirement Plan at 800-959-4457. Prospectuses may also be downloaded online at srp457.com. Before investing, carefully consider the fund's investment objectives, risks, charges and expenses. The fund prospectus contains this and other important information. Read the prospectus(es) carefully before investing.

Some funds may be subject to a trade restriction policy. Please review the prospectus carefully.

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Nationwide Investment Services Corporation, member FINRA.

Note: The Prudential Group Fixed Annuity is underwritten by Prudential Life Insurance Company, 751 Broad St., Newark, NJ 07102 number GA-006194.

Need more information?

Understand the terms

Below are some common investment terms and their definitions. For more general investing information, visit [srp457.com](https://www.srp457.com).

Glossary of Investment Terms

Asset Class Descriptions	Asset classes identify funds that tend to have similar investment objectives and strategies, and generally react in a similar manner to market fluctuations as other funds in the same class. Spreading your investment selections across several asset classes, a technique known as asset allocation, can help maximize your total return based on the level of risk you are willing to accept. Asset allocation does not protect against a loss in a declining market.
Balanced Funds	Balanced funds are funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. Risk and return is typically moderate to low.
Bond Funds	Bonds are loans or debt instruments issued by governments or corporations that need to raise money. When investors buy a bond, they are actually loaning money to the government or company. Bonds are issued for a set period, during which interest payments are typically made to the bondholder. Bonds are generally a more conservative form of investment than stocks, and usually provide a more steady flow of income. Typically, bonds have a lower long-term total return than stocks. Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.
International Stock Funds	International funds, also known as foreign funds, contain stocks from companies located outside of the United States. Most international stock funds seek long-term growth of capital. These funds typically have higher risk due to political factors, currency fluctuations, differences in accounting standards and foreign regulations, as well as higher return potential. Risk and return is typically high.
Large-Cap Stock Funds	A large-cap fund invests mostly in stocks of larger companies. Typically, large-cap stocks are companies with market values more than \$10 billion and include blue-chip and Fortune 500 companies. They are typically more mature, diversified companies with many products and services. The goal of this type of fund is usually steady growth of capital. Risk and return is typically moderate to high.
Mid-Cap Stock Funds	Mid-cap funds contain stocks from companies with market values between \$2 billion and \$10 billion and often include companies that are well established and growing. Risk and return is typically moderate to high.
Small-Cap Stock Funds	Small-cap funds contain stocks from companies with less than \$2 billion in capitalization, including many start-up companies. Small companies can grow much faster than big companies, but small company stocks tend to be more volatile than the stocks of larger companies. Over the long term, an investor in small-cap stocks must be willing to accept a higher level of risk resulting from potentially higher market volatility.

Find more information

Accessing your account information and getting help is easy. Take a look at the information below and then get started with your plan by taking the enrollment forms from the back pocket and filling them out.

Contact our local office:

SDRS Supplemental Retirement Plan
207 E. Capital Ave.
Pierre, SD 57501
In Pierre: (605) 224-2230
Toll Free Customer Service: 1-800-959-4457

Easy Web access—24 hours a day, 7 days a week!*

You can get more information about your account on the Web at **srp457.com**.

To login to your account:

- Go to **srp457.com**
- Click the “new user” button and follow the easy steps to set up your account.

On the Web site you can view and make changes to your account, make deferral/allocation changes, make fund exchanges, view pricing and performance of your funds, and make changes to your personal information and password. You can also access helpful planning tools such as an account growth estimator, a take-home pay calculator, a needed retirement savings calculator, and an asset allocation tool.

Easy phone access—24 hours a day, 7 days a week!*

You can also get help over the phone using the Automated Voice Response Unit (VRU) by calling **1-800-959-4457**. On the phone, you can review account information, process transactions, make changes to your account, change your PIN, review fund information, and order forms and publications. Use the diagram below as a helpful guide when you call.

Voice Response System—Call 1-800-959-4457

- | | |
|----------|---|
| 1 | For account information |
| 2 | To process transactions, make changes to your account, or change your PIN |
| 3 | For fund information |
| 4 | To order information or forms |
| 5 | For help with the automated system |

The following options are available any time throughout the call:

- | | | |
|----------|----------|--|
| * | 0 | To reach a customer service representative |
| * | 6 | To return to the previous menu |
| * | 7 | To replay a prompt |
| * | 9 | To end call |
| * | 1 | To check another account |

Direct Access – Reps-on-Call

Need more personal help? There are 50 Direct Access Retirement Specialists who are available to assist you with all your deferred compensation questions. *The information you receive from a retirement specialist is for educational purposes only and not intended as investment advice. Neither Nationwide Retirement Solutions nor any of its representatives give legal or tax advice. For such guidance you should consult your legal or tax advisors.*

Simply call 1-800-959-4457 toll-free, then press option 2.

The Direct Access professionals can help you:

- Enroll in your plan
- Change your contribution amount
- Develop an asset allocation model
- Understand the benefits of pre-tax investing
- Learn about the importance of starting now and the power of compound interest.

Representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (CT).

